

Message Text

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ACTION EB-11

INFO OCT-01 NEA-14 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 FPC-01 H-03 INR-11

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 DRC-01 /148 W

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FM AMEMBASSY TRIPOLI

TO SECSTATE WASHDC 1508

INFO AMEMBASSY JIDDA

C O N F I D E N T I A L TRIPOLI 0957

E.O. 11652: GDS

TAGS: EFIN EINV LY

SUBJECT: OIL PRODUCERS' HOLDINGS OF FOREIGN ASSETS

REF: A-6237; TRIPOLI 925 NOTAL; TRIPOLI A-35 NOTAL

1. TWO PRINCIPLES GUIDE LIBYAN INVESTMENT DECISIONS: NEAR-CASH LIQUIDITY AND MAXIMUM SECURITY. REASONS BEHIND PRINCIPLES ARE SEVERAL BUT INCLUDE: MONETARY CONSERVATISM, HESITANCY AT TAKING RISKS, FEAR OF DIPPING OIL INCOME (EITHER BECAUSE OF REDUCED CRUDE OIL SALES OR FALLING PRICES), CONVICTION THAT FUNDS CAN BEST BE UTILIZED IN DEVELOPING LIBYA.

2. AMPLE EVIDENCE EXISTS TO SUGGEST THAT LIBYAN LEADERSHIP WITHHOLDS SUBSTANTIAL PORTION OF OIL EARNINGS FOR POLITICAL OBJECTIVES AND THAT LIBYAN BANKERS AND MAKERS OF INVESTMENT DECISIONS ARE WORKING WITH

SIGNIFICANTLY LESS FUNDS THAN LOOK AT RAW EARNINGS FIGURES WOULD INDICATE. THERE ARE ARMS PURCHASES FOR USE OF LIBYAN ARMY AND ARMED FORCES OF FRIENDLY COUNTRIES AS WELL AS ONE-TIME PAYMENTS FOR FAVORABLE
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FOREIGN POLICY DECISIONS BY OTHER COUNTRIES.

3. LIBYAN PRESS THIS WEEK ANNOUNCED COMMITMENT OF 45 MILLION LIBYAN DINARS (\$152,775,000) TO ISLAMIC DEVELOPMENT BANK. IF FUNDS ARE ACTUALLY SUBSCRIBED, APPROXIMATELY 13 PERCENT OF BANK'S CAPITAL WILL BE LIBYAN. DOUBTLESS LIBYA WILL EXACT SUBSTANTIAL SAY IN BANK'S INVESTMENT POLICIES AS PRICE OF COMMITMENT.

4. LIBYAN AUTHORITIES CONSIDER INFORMATION OF TYPE REQUESTED IN REPAIR TO BE AMONG MOST SENSITIVE SECRETS OF STATE. OUR REQUESTS FOR FAR LESS SENSITIVE INFORMATION HAS MET WITH LACK OF RESPONSE.
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